ISSN 1648-0627 / eISSN 1822-4202

VILNIUS TECH
Vilnius Gediminas Technical University

BUSINESS: THEORY & PRACTICE

2024
Volume 25
Issue 1
Pages 252–262
https://doi.org/10.3846/btp.2024.18627

PREEMPTIVE MARKET EXPLOITABILITY: RESOURCE ADVANTAGE THEORY OF COMPETITION PERSPECTIVE

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Article History:
- received 14 February 2023
- accepted 2 February 2024

Abstract. The current study aims to elucidate the critical importance of preemptive market exploitability as a bridging concept for solving the inconsistent findings on the role of entrepreneurial orientation in enhanced marketing performance. Rooted on the resource advantage theory of competition (RAToC), the preemptive move is postulated as a strategic orientation for reaching a competitive positional advantage in the market when supported by a strong entrepreneurial orientation complemented with a solid quality-based differentiation. A survey method was used to collect data after inviting four hundred owner-managers of small and medium enterprises (SMEs) to participate in this study. The structural equation modelling software AMOS tested our proposed hypotheses. The quantitative analysis resulted in accepting the proposed premises with several significant findings. The most important finding is that companies should invest in preemptive market exploitability as a strategic asset for high marketing performance.

Keywords: entrepreneurial orientation, preemptive market exploitability, quality-based differentiation, and marketing performance.

JEL Classification: M31, D46, D83, L25.

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1. Introduction

The market has become more competitive daily; only those with the consciousness to build entrepreneurial power may cope with competitive market dynamics and survive. Moreover, entrepreneurial orientation is the primary identity for small and medium enterprises (SMEs) that successfully maintain their market position and excel in the competition. Studies reveal that successful companies are entrepreneurial-oriented because they tactically and successfully build their entrepreneurial power, reflected through increased innovation, new products, and new locations (McKenzie, 2017). Furthermore, entrepreneurial SMEs that stay below the radar in established markets and quickly explore new markets perform better; their entrepreneurial competitive moves lead to high performance (Katila et al., 2012).

Therefore, studies on the entrepreneurial orientation of SMEs have attracted marketing scholars because of their essential role. First, entrepreneurial-oriented SMEs are a safety valve for a nation's economy when facing various crises (Mittal & Raman, 2021). When large companies are in serious trouble, SMEs may remain elastic in dealing with changes. Second, although SMEs are not prime engines for financial contributions, they are significant for employment. For example, SMEs employ many people instead of large firms (Andoh et al., 2018), such as in Indonesia, where around 95% of the business population comprises SMEs.

Despite its essential role, studying entrepreneurial-oriented firms inspires various breakthroughs for improving performance. Still, studies indicate the need for further studies to manage entrepreneurial orientation (EO) in these SMEs for several reasons. Firstly, although small and medium companies are recognized as safety valves for the economy, it is still being determined how the organizational mechanism drives value creation to attract the market and enhance business performance. Secondly, although EO plays a vital role in improving performance, studies have demonstrated the inconsistency of its important trigger for marketing performance. For example, a study by Alarjani et al. (2020) in Saudi Arabian countries proved that promoting growth is of utmost significance for countries, with the higher the EO adopted, the higher the degree of SME development. SEMs that proactively respond to market dynamics through innovative moves

tend to reach a superior entrepreneurial outcome. A study in Indonesia on food industry SMEs demonstrated the crucial role of EO in enhancing business performance. In addition, a study on manufacturing SME textile products in Indonesia by Wahyuni Ni and Sara (2020) denotes that entrepreneurial orientation is critical in increasing business performance. Another study by Ferdinand and Killa (2018) also reveals the weak position of EO to improve performance if treated as a value-adding trigger for a business process. Moreover, another study of SMEs in Malaysia revealed that adopting an entrepreneurial orientation in innovativeness and risk-taking did not significantly impact firm performance (Loong Lee et al., 2019).

Those inconsistencies lead us to find a mediation way to affect power in enhancing business performance. Therefore, our research problem is managing entrepreneurial orientation as a strategic orientation to trigger good business processes and improve marketing performance. To cope with the inconsistent findings about the impact of EO on business performance, particularly in terms of marketing performance, we adopted the resource advantage theory of competition for several reasons. Firstly, regarding the number of firms, SMEs have always been in a competitive, dynamic market dominated by more than 95% of the industry population, where entry into and exit from the market is very dynamic. Therefore, to succeed, a company should unceasingly provoke market demand disequilibrium (Hunt & Derozier, 2004).

Moreover, even though simple, the disequilibrium-provoking strategy may create various breakthroughs for sustaining performance. Secondly, in the vein of the resource advantage theory of competition, in managing the market demand disequilibrium, the company should take preemptive initiatives to open up space for offering good value-added products and services. Therefore, the company must develop and cultivate its resources in terms of capacity and ability better than competitors as a comparative advantage resource (Hunt & Morgan, 1995; Hunt & Morgan, 1997). Thirdly, facing a dynamic market, the company will rely on a unique capability to achieve a competitive advantage in its business processes (Hunt & Morgan, 1995). Therefore, an SME may carry out distinctive abilities such as market entry capability, market exploitability, and innovation capability to reach a positional advantage for sustaining performance.

This study proposes a conceptual model to solve the research gap described above by incorporating the concepts of entrepreneurial orientation, preemptive market exploitability, quality-based differentiation, and marketing performance. The logic behind this model is that if entrepreneurial orientation is the fundamental spirit of always being innovative, proactive, and considerate in managing the risk consequences behind every decision, it becomes a reasonable basis for starting a business process that can increase competitive advantage. Furthermore, with the advantages generated by the business process, the company may ensure its performance and sustainability. The model was then tested in the creative industry sub-sector in Indonesia.

2. Literature review and hypothesis development

2.1. Preemptive market exploitability: Resource advantage theory of competition perspective

Success in exploring market opportunities to produce products different from competitors (Ozkaya et al., 2015). Further studies (Helfat & Martin, 2015; Yuniarsih & Sugiharto, 2016) say superior resources are potential assets for companies to produce products that suit market needs and have the potential to increase competitive advantage and company performance. Exploratory research and developing market exploitation are applied to organizational learning, innovation, and entrepreneurship (Kuncoro & Suriani, 2018; Limaj & Bernroider, 2019; Shane & Nicolaou, 2013).

Market exploitation is the capacity to build knowledge and resource capabilities to produce products (Li & Wang, 2019; Rengkung, 2022). In addition, market exploitation also encourages resources to respond quickly to market needs and develop products for future customers (Solís-Molina et al., 2018; Zhang et al., 2015). Several studies have shown that market exploitation effectively increases competitive advantage and marketing performance (Ambroise et al., 2020; Griffith et al., 2021; Su et al., 2022). The ability to survive and compete depends on the quality of strategic resources in exploring market opportunities (Ozkaya et al., 2015; Rakthin et al., 2016). Therefore, it is essential for companies to consistently encourage resources to exploit the market to respond to market changes quickly, anticipate strategies, and align market demand in the future.

The resource advantage theory of competition states that role is significant in selecting and modifying strategies, while competition dynamics are understood as a strategy to trigger imbalances through innovation (Hunt, 1997; Shelby, 2001). Companies must have the courage and ability to reconfigure their resources to improve their performance (Hunt, 1997; Shelby, 2001). Excellent resources are the best assets, so they quickly align and respond to the market by creating value-added products and developing business development strategies (Simanjorang et al., 2023). It can improve company performance if this is consistently developed (Griffith et al., 2021; Hutahayan, 2021; Liu & Atuahene-Gima, 2018).

2.2. Entrepreneurial orientation and preemptive market exploitability

The strategic effort to improve performance is to train resources to have an entrepreneurial mentality (Brouthers et al., 2015; Ciabuschi et al., 2020). This strategy effectively encourages more creative and innovative resources to explore market opportunities (Farida & Nuryakin, 2021; Martín-de Castro, 2015). Product innovation requires resource capabilities to exploit its market (Abebe & Angriawan, 2014; O'Cass et al., 2014; Ferreira et al., 2020). Excellent

resources can potentially increase innovative performance (Carnes et al., 2017; Milovanović et al., 2021).

Companies that consistently learn and adapt to changes and market trends impact innovation performance. Continuously maintained innovation performance will lead the company to enter the market first and introduce products (Huang & Wang, 2011). Several studies have stated that companies with creative and proactive resources contribute to developing superior products and, in turn, lead the company to enter the market first (Markides & Sosa, 2013; Stojcic et al., 2018).

The ability to exploit the market first is driven by the consistency in exploring market opportunities so that the products produced follow market demand (Shan et al., 2016). Further studies say that resource skills measure the success of companies entering the market and maintaining innovation performance (Kalkan et al., 2014; Kamasak, 2015). Proactive and creative resources in exploring opportunities impact the ability to align market changes with superior products and introduce products to the market first (Guo et al., 2018; Ngo & O'Cass, 2012). Therefore, companies consistently train and develop resource skills (Ferreras-Méndez et al., 2021; Morgan & Anokhin, 2020). States that resource skills have an impact on the development of product variants. Resource competencies encourage collaborative learning, leading to the creation of new products and sustaining performance (Wongsansukcharoen & Thaweepaiboonwong, 2023). Therefore, the following hypothesis is proposed:

H1: Entrepreneurial orientation positively influences Preemptive Market Exploitability.

2.3. Preemptive market exploitability and marketing performance

Maintaining performance in a competitive business climate requires efforts and tactics to understand the preferences of customers, suppliers, and other social factors (Leonidou et al., 2016). Companies seek to maximize resources to improve company performance and make it easier to enter new markets (Anderson & Engers, 2001; Hendar et al., 2017). The ability to compete is directly proportional to the quality of its resources (Hunt, 2014). Preemptive market exploitability is the ability to compete directly proportional to the quality of its resources and the ability to anticipate movements to enter the market and secure its position in controlling the market. One of the steps companies can take is to develop resource skills and produce differentiated products. Consistent development of resource competencies maintains its market position (Chen et al., 2016; Preda, 2013).

Companies are encouraged to increase their capacity before developing products and penetrating market niches compared to their competitors based on their market position and resource advantages (Zheng, 2016). The focus on exploring market opportunities impacts the development and provision of products that exceed product performance (Mu, 2015; Udriyah et al., 2019). Likewise, the ability to adapt to market changes contributes to exploiting the market first and improving business performance (Huang & Wang, 2011). Companies that explore the market first generate competitive advantages and have the potential to lead the market and improve performance (Davcik & Sharma, 2016; Nishida, 2017). Therefore, companies need to develop summer days both individually and in teams so that performance continues to improve (Ferdinand & Wahyuningsih, 2018).

The focus on exploiting market opportunities impacts the development and provision of products that exceed product performance (Taghvaee & Talebi, 2023). Companies that proactively explore the market generate competitive advantages and have significant potential to lead the market (Ozdemir et al., 2017). Similarly, adapting to the environment contributes to the speed of entering the market and improving business performance (Akman & Yilmaz, 2019; Hofer & Baba, 2018). Consistency in being proactive and creative in aligning market needs will encourage companies to provide solutions to market needs while maintaining performance quickly (Acosta et al., 2018; Balan & Lindsay, 2010; Kruja, 2020). The more the company responds to market changes, increases resource capabilities, aligns market needs, and develops superior products, its performance will improve (Ferreras et al., 2022; Liu et al., 2017). Therefore, the following hypothesis is proposed:

H2: Preemptive market exploitability positively influences marketing performance.

2.4. Entrepreneurial orientation and quality-based differentiation

Companies are encouraged to be proactive and creative in anticipating market changes (Hodgkinson et al., 2023; Liu et al., 2017). The utilization of technology and the encouragement of proactive resources are two factors that contribute to the success of innovation (Escrig-Tena et al., 2018; Segarra-Ciprés et al., 2019). Knowledge competence is the capacity of resources to recognize and obtain new information and positively influence innovation performance (Hodgkinson et al., 2023). Companies must be able to take advantage of market potential proactively and creatively and encourage resources to design products that follow market demand (Kianto et al., 2017). Superior resources drive innovation performance (Rehman et al., 2023). Innovation performance anticipates future market demand (Elgarhy & Abou-Shouk, 2023). Superior competence is needed to develop products with good design and quality control. Several studies have stated that the higher the entrepreneurial orientation, the higher the ability of the resources to develop different products based on quality (Ferreras-Méndez et al., 2021; Fouladi & Navimipour, 2017). Therefore, the following hypothesis is proposed:

H3: Entrepreneurial Orientation has a positive effect on Quality Based Differentiation.

2.5. Market-based differentiation and preemptive market exploitability

Market-oriented companies will quickly develop value-added products compared to competing products (Afum et al., 2023; Morgan & Anokhin, 2020). The ability to produce superior products must be distinct from the competence of its resources and the speed with which it responds to market changes (Griffith et al., 2021). The response to the market and the availability of various sources impact its ability to offer superior-value products to its customers (Dogbe et al., 2020; Mitariani et al., 2023). Product excellence is born from the ability of resources to explore more opportunities creatively to produce products that are different from their competitors (Liu & Atuahene-Gima, 2018). Market changes reflect the observation of actual and potential customer needs and its motivation to increase the ability of its resources to improve its superior performance (Cho et al., 2023; Najafi-Tavani et al., 2018). Thus, companies must adapt and be able to utilize technology to support their activities (Chae et al., 2017; Melián-Alzola et al., 2020).

Technology helps resources respond to market changes quickly while making companies meet market demands quickly (Al-Henzab et al., 2018). The interactive impact on customers stimulates resources to generate new products and potentially first introduce them to the market (Dogbe et al., 2020). Training and competency development for human resources have become urgent to meet this need. Resources with various levels of expertise can create and produce products that meet market demands (Lambrechts et al., 2017; Yoo et al., 2019). So the following hypothesis is proposed:

H4: Market Based Differentiation dan Preemptive Market Exploitability.

Based on the literature review and the logic of the proposed hypothesis, the conceptual research model is presented in Figure 1. The logic in this model is that preemptive market exploitability is postulated as the advantage of a company's competitive position when it is supported by a strong entrepreneurial orientation complemented by solid quality-based differentiation.

3. Research method

3.1. Sample characteristics and data collection

This research took place from February to October 2021. This research took samples of business actors and owners in four districts in Indonesia: Surakarta, Sukoharjo, Klaten, and Jepara. Consideration of location selection and creative industries. First, this region is geographically the Centre of the most significant number of creative industry players in Central Java. Second, creative industries have the power to add value and quality to small and medium products (Aloulou & Fayolle, 2005; Beheshti, 2004; Dirisu et al., 2013), third, with the resources they have, they can explore market opportunities to survive and improve performance (Alvarez & Barney, 2017). The sample is a representative population subset of (Ferdinand, 2014). The sampling method uses non-probability sampling with a purposive sampling technique (Ferdinand & Zuhroh, 2021; Hiong et al., 2020). The sample in this study was SME owners in creative industries with craft sub-sectors in four districts in Central Java. The sample criteria are that the business actor is located in the Central Java region and has a minimum business experience of 5 years. The assumption is 5 years because business actors already have local, national, and international markets and customers. The number of questionnaires prepared for this study was 350. Respondents who completed the questionnaire were 314 based on the results of strict and methodical processing and trimming (Van den Broeck et al., 2005). The total number of managed data is 264. This number of samples corresponds to the adequacy of the sample in the structural equation model (Van den Broeck et al., 2005). The final number of data points based on validity, reliability testing, and data normality is 264. This final sample number is based on sample adequacy in the structural equation model (Hair et al., 2010). Table 1 shows the characteristics of respondents based on the results of descriptive analysis.

3.2. Measurement

We devised a research scale using a 1–10 scale (Nunnally & Bernstein, 2007). Orientation is measured using a five-item scale (Brouthers et al., 2015; Lumpkin & Dess, 1996). Preemptive Market Exploitability (PME) was developed

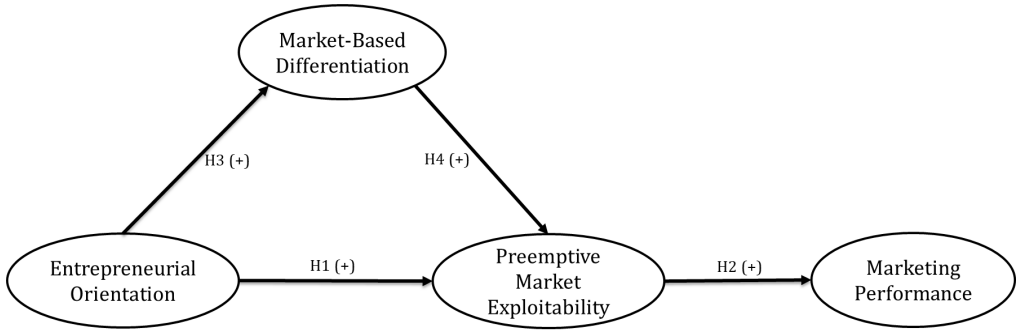

Figure 1. Structural model

Table 1. Demographic features

		F	F (%)			F	F (%)
Age	25–40 Year	164	62.12	Gender	female	190	72
	41–60 Year	100	37.88		Male	74	28
Education	High School	244	92.44	Marketing	Domestic	213	80.7
	Undergraduate	43	16.29		Asia	34	12.9
	Post graduate	4	1.52		Europa	17	6.4

Note: N = 264.

and inspired by studies (Abel, 2008; Chen et al., 2016; Jayachandran et al., 2004; Suarez & Lanzolla, 2007; Zhang et al., 2015). The strengths of developing market-based differentiated products are adapted and developed from (Dell'Era & Verganti, 2010; Jiménez-Jiménez & Sanz-Valle, 2011; Salavou & Lioukas, 2003; Verhees & Meulenberg, 2004; Yalcinkaya et al., 2007). Finally, the marketing performance scale we use consists of a five-item scale developed by (Matsuno et al., 2005; Park et al., 2012; Voss & Voss, 2000). The final scale items are presented in Table 2.

4. Data analysis and findings

This research used the software Amos to test the hypothesis, which was under consideration that SEM was capable of solving some equations simultaneously and testing mediation in the simultaneous process (Hiong et al., 2020). The data from 264 respondents was analyzed with the full model to observe the validity of the research instrument. The model was tested using SEM through two steps: confirmatory factor analysis to sort them out in each construct and a complete model to test the hypotheses (Heng et al., 2020). The first step of confirmatory factor analysis was to test exogenous constructs: entrepreneurial orientation, market-based differentiation, and technology capability variables. In contrast, the endogen constructs are preemptive market exploitability and marketing performance variables. The confirmatory factor analysis measures construct sufficiency, validity, and reliability, as presented in Table 2 below.

Table 2. Scale, measurement, validity, reliability

Variable Indicators	Items scale	Reference	standardized loadings	Cronbach's alpha	CRI	CV-AVE
Entrepreneurial Orientation		(Brouthers et al., 2015; Lumpkin & Dess, 1996)		0.857	0.905	0.598
ORK1	Ability to create unique and different products		0,757			
ORK2	Explore new opportunities in anticipating changes in market/consumer demand		0,804			
ORK4	Employee and team creativity in product development		0,786			
ORK5	Ability to compete aggressively in responding to market/customer changes.		0,746			
Preemptive Market Exploitability		(Abel, 2008; Chen et al., 2016; Jayachandran et al., 2004; Suarez & Lanzolla, 2007; Zhang et al., 2015)		0.850	0.902	0.579
PME2	Fast develop superior products.		0,772			
PME3	First to market/consumer than competitors.		0,773			
PME5	Fast align customer needs in the future.		0,746			
PME6	Quickly mobilize resources to find solutions to customer needs.		0,751			
Quality-Based Differentiation		(Dell'Era & Verganti, 2010; Jiménez-Jiménez & Sanz-Valle, 2011; Salavou & Lioukas, 2003; Verhees et al., 2004; Yalcinkaya et al., 2007)		0.710	0.829	0.539
QDB1	Ability to make product designs that are different from competitors		0.730			
QDB3	Experienced and trained resources create superior products		0.739			
QDB5	Products that are differentiated through higher-quality designs		0.723			
Marketing Performance		(Matsuno et al., 2005; Park et al., 2012; Voss & Voss, 2000)		0,881	0.852	0.631
MP1	Significant market share growth		0.797			
MP2	A significant number of customers		0.839			
MP3	significant sales growth		0.802			
MP4	increase sales volume		0.821			

Note: *AVE: Convergent validity – average variance extracted; CR: Construct reliability index.

4.1. Statistical analysis and results

Statistical analysis was used to test the proposed model and assumptions. The goodness-of-fitness of the proposed model was assessed. The result is chi-square = 128.922. This finding was statistically significant at 0.05 (Arbuckle, 2016; Tabachnick & Fidell, 2012). Claiming that the chi-square significance depends on the sample size and that the fit test can be used for small samples. The match statistic is defined as a good indicator. GFI = 0.941, TLI = 0.974, CFI = 0.979, AGFI = 0.917, and RMSEA = 0.044. The model was accepted after this evaluation process, and we continued to test our hypotheses (Figure 2).

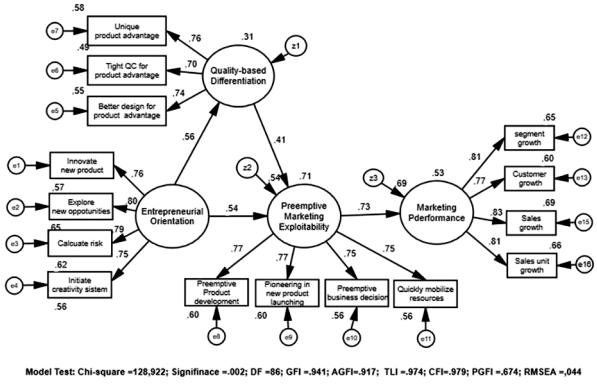

Figure 2. Full structural model – preemptive market exploitability

The test results show that all hypotheses have a positive effect. In this study, mediation tests were also carried out using research (Baron & Kenny, 1986). Step 1: Regress the entrepreneurial orientation variable to marketing performance (.514); Step 2: Regress the entrepreneurial orientation variable with the preemptive market exploitability variable (.713). Step 3: Regress the preemptive market exploitation variable with the marketing performance variable (.709) and re-examine the entrepreneurial orientation towards marketing performance, including the preemptive market exploitation variable. The result of the test is perfect mediation because the entrepreneurial orientation and marketing performance variables have no positive effect (.013) when the mediator variable is present, as shown in Table 3.

5. Research conclusions and direction for future research

5.1. Research conclusion

This study addresses the gap in entrepreneurial orientation toward marketing performance with inconsistent results. The preemptive market exploitability of mediating variables to address the research gap Acceptance of our hypothesis leads to the conclusion that preemptive market exploitability encourages small and medium enterprises to improve marketing performance (Arshad et al., 2014; Chen et al., 2012; Eggers et al., 2013; Gupta & Batra, 2016). Preemptive Market Exploitability is the company's ability to exploit the market in advance, which has the characteristics of quickly making business decisions, quickly providing solutions to market needs and demands, aligning with future market demands, and continuously providing support to resources to upgrade its competencies to develop and introduce products to the market quickly. Market. The findings in this research confirm that preemptive market exploitability can be a driving force in improving marketing performance and is proven and convincing as a me-

Table 3. The structural coefficient of regression

Hypothesis			Standardized Estimate	Critical Ratio	P-Value	Result
H1: Preemptive Market Exploitability	←	Entrepreneurial Orientation	.070	7.105	***	Supported
H2: Marketing Performance	←	Preemptive Market Exploitability	.081	10.401	***	Supported
Preemptive Market Exploitability mediates the influence of entrepreneurial orientation and marketing performance						
Step 1: Entrepreneurial Orientation Marketing Performance			.075	7.525	***	Supported
Step 2: Entrepreneurial orientation → Preemptive Market Exploitability			.073	9.890	***	Supported
Step 3: Preemptive Market Exploitability → Marketing Performance			.080	9.632	***	Supported
Step 4: Entrepreneurial Orientation Marketing Performance			.110	.319	.750	Not Supported
H3: Preemptive Market Exploitability	←	Market-Based Differentiation	.087	5.452	***	Supported
H4: Entrepreneurial Orientation	←	Market-Based Differentiation	.064	6.942	***	Supported
Goodness of fit Test				Cut-of Value	Result	Conclusion
Chis-Square for DF= 86 at significant level 5%				119,414	289,017	fit
The Goodness of fit index (GFI)				≥0.90	.941	fit
The Adjusted Goodness of Fit Index (AGFI)				≥0.90	.917	fit
Comparative Fit Index (CFI)				≥0.90	.979	fit
Trucker Lewis Index (TLI)				≥0.90	.974	fit
Root Mean Square Error of Approximation (RMSEA)				0.03-0.08	0.044	fit

diator between entrepreneurial orientation and marketing performance.

Preemptive market exploitability is rooted in the Resource Advantage Theory of Competition (Hunt & Morgan, 1995, 1996). The inspiration for the use of theory is based on the premise that the role of management is to configure strategies based on resource advantages and company development, and competitive dynamics are understood as strategies that trigger imbalances through innovation (Hunt, 1997; Hunt & Morgan, 1995). Novelty preemptive market exploitability provides new insight into premises eight and nine; the ability to manage resources becomes the advantage. Superior resource competency is the strength to win competitive market competition. This is in line with research (Hunt & Morgan, 1996), which states that the ability of resources to create superior value compared to competitors and the ability to adapt to market changes by offering superior products contribute to encouraging companies to introduce products to the market first (Hunt & Morgan, 1995; Shelby, 2001).

5.2. Research implications

Entrepreneurial orientation contributes to preemptive market exploitation and can be a reference for business actors in improving their performance. The results of this study prove that the better the entrepreneurial orientation, the greater the ability to explore the market first. The strength of the entrepreneurial orientation is proven to encourage companies to explore the market first to become more competitive (Hitt et al., 2011). Creativity and innovation, exploring market opportunities, daring to take risks, providing freedom of resources to develop products, and competing aggressively will encourage the company to exploit the market first (Lisboa et al., 2011, 2013). For small and medium business actors in the creative industry, the results of this research contribute to the importance of managing and improving resource capabilities to increase the ability to exploit markets first to improve performance (Efrat et al., 2018; Lawson & Samson, 2001; Łobacz & Głodek, 2015). Resource capabilities are a pillar in a dynamic business environment because these capabilities are developed by consistently developing resource competencies to produce products of superior value and quickly introduce products to the market (Agoston, 2014; Chaston & Sadler-Smith, 2012). This is to anticipate competitors imitating or replacing it (Tokman et al., 2007).

5.3. Limitations and future research

The data taken from four districts still need to describe sub-craft in every other district in Central Java, so it is necessary to collect data in several more districts so that they can describe the characteristics of the creative industry in the craft sub-sector in Central Java. The research model can be implemented in other industries, such as the fashion sub-sector, culinary sub-sector, or across industries. Future research can also use the perspective of business and consumer behavior.

Acknowledgements

We want to thank all managers of SMEs of the creative industries in Central Java Province who had voluntarily participated in this research and express our appreciation to BPPDN that had funded this research.

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